

Monthly Market Report

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As we start another year the news from log markets can generally be described as positive. There is a very definite upswing in demand in the domestic segment which one assumes is based on Earthquake rebuild projects. In the export segment and in particular the big mover of volume China, supply has not kept pace with demand, inventories have fallen against expectations and prices are under upward pressure.

In the last round of customer visits just before Christmas, I found the general mood of sawmill owners was positive. Demand has definitely trending upward. There remains a focus on the outdoors segment in fencing, decking and the like, but framing lumber is also starting to move.

As might be expected when the market sandpit grows more want to play in it. Therefore for the moment at least, there are just enough toys to go around and price fighting between the participants has remained to a key component of the play. We would therefore not expect overall prices to move upward in the meantime.

However we are seeing more preparedness to negotiate over specific segment areas like longer and larger logs which suggests a level of vibrancy not seen in the last 5 years. All in all we can say 2013 looks like it should produce good demand and supply demographics in this key segment for the regions forest growers.

Within the export markets China continues to dominate with our other key destinations of Korea and India pretty much following the lead. Quite against expectations inventories across most key China ports have continued to fall. This is the direct consequence of reducing supply of both log and lumber from the Pacific North West. NZ and Australia continue to pump about 1 million cubic metres per month in to China.

Overall inventories are falling much closer to 2 million cubic metres or 2 months consumption and the PNW region is not expected to increase supply for the next 2 – 4 months. As a consequence Douglas fir log prices are starting to move upward, dragging Radiata with them.

Due to lack of local market, pruned logs have continued to increase in supply to China from NZ. Prices have not been wildly exciting, but having a volume market for this key value grade has and will continue to be important. However there is a cautionary note with China starting to resist increase volume in this sector. This suggests we have reached saturation point until manufacturers and end users can grow the Softwood clearwood market further.

Shipping has been providing some positive outcomes lately with rates softening slightly as demand is outstripped by supply for those plying the Southern Hemisphere. Some commentators are suggesting the current levels cannot last with some shipping companies operating at below cost. However in shipping I have learnt it is difficult to sort the bull from the balderdash so anything could be true. For the moment at least most are saying they expect shipping rates to firm Q1 2013.

And if it were not for the blessed US\$/NZ\$ exchange rate, it would be quite good fun to be a forest owner at present! One is left to wonder why someone up there in the corridors of power does not pull the curtain strings a different way some days as the unfavourable exchange rate continues to strip millions of dollars off the bottom line for our land based commodities sector.

And so it is despite this one key negative the log trade appears destined for a pretty good year. Key indicators are certainly suggesting Q1 and Q2 should be positive at the very least. Thus it is has never been more timely to remember the only way forward for climate, country and the planet is to get out there and plant more trees please.....!

Laurie Forestry Ltd – Offering ongoing, sensible and achievable solutions for Forest Growers

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